



**LIQTECH INTERNATIONAL, INC.
(NASDAQ: LIQT)**

LIQTECH

**SECOND QUARTER FISCAL YEAR 2022
FINANCIAL RESULTS CONFERENCE CALL**

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9:00 a.m. Eastern**

CORPORATE PARTICIPANTS

Alex Buehler - Interim Chief Executive Officer, LiqTech International, Inc.
Simon Stadil - Chief Financial Officer, LiqTech International, Inc.
Robert Blum - Managing Partner, Lytham Partners, LLC

PRESENTATION

Operator

Good morning, afternoon, evening, and welcome to the LiqTech International Reports Second Quarter of Fiscal Year 2022 Financial Results conference call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero. After today's presentation, there will be an opportunity to ask questions. To ask a question, please press star then one on your telephone keypad. To withdraw your question, please press star then two. Please note this event is being recorded.

I would now like to turn the conference over to Robert Blum. Please go ahead.

Robert Bum

Thank you very much, Jordan. Good day to everyone there and thank you for joining us during today's conference call to discuss LiqTech International's Second Quarter 2022 Financial Results. Joining us on today's call from the company are Alex Buehler, Interim Chief Executive Officer, and Simon Stadil, Chief Financial Officer. As the operator indicated, there will be an opportunity for an open Q&A session after the prepared remarks.

Before we do begin those prepared remarks, please submit for the record the following statement. This conference call may contain forward-looking statements. Although the forward-looking statements reflect the good faith and judgment of management, forward-looking statements are inherently subject to known and unknown risks and uncertainties that may cause actual results to be materially different from those discussed during the conference call.

The company therefore urges all listeners to carefully review and consider the various disclosures made and the reports filed with the Securities and Exchange Commission including risk factors that attempt to advise interested parties of the risks that may affect their business, financial condition, operations, and cash flows. If one or more of these risks or uncertainties materialize or if the underlying assumptions prove incorrect, the company's actual results may vary materially from those expected or projected. The company therefore encourages all listeners not to place undue reliance on these forward-looking statements which pertain only as of this date and the date of the release and conference call. The company assumes no obligation to update any forward-looking statements to reflect any events or circumstances that may arise after the date of this release and conference call.

With that said like turn the call over to Alex Buehler, Interim Chief Executive Officer, of LiqTech International. Alex, please proceed.

Alex Buehler

Thank you, Robert, and good morning to all of you, and thank you for joining us on today's conference call. Please know that I sincerely appreciate your continued interest in and support of the company and its growth strategy. Over the past two quarters, we have focused intensely on imperatives spanning four dimensions: organizational, financial, operational, and commercial, all meant to stabilize the business and position it for imminent growth. I will step through all four dimensions as we endeavor to take inventory of our activities through this transitional period, assess our progress, and envision our future.

Starting first with the organizational, we were pleased to announce the appointment of our new president and CEO Fei Chen. As a seasoned executive with a powerful blend of general management, commercial, and product development capabilities, Fei brings more than 20 years of management experience and a demonstrated track record of success across a variety of global industrial companies with an emphasis on water treatment, chemicals, and clean energy technologies and with relevant exposure across our key end markets.

She was most recently Head of Global R&D and Senior Vice President of Global Commercials for Topsoe, a world leader in catalysts and energy efficient clean technologies. Prior thereto she was the innovation platform director for Grundfos, a global leader in water and liquid pumps, where she was responsible for establishing their water treatment division.

Importantly, Fei's attributes include strong transformational leadership, a bias for execution discipline with pace and intensity, a great blend of commercial and technical horsepower to accelerate business growth and a track record of success across enterprises of varying scale. After a robust search process, comprised of multiple interviews with many stakeholders, Fei was the clear frontrunner.

Therefore, we are indeed excited to welcome her to LiqTech. Fei will join the company on or before November 1st as she completes her contractual obligations whether present employer. I will work with Fei to ensure a full and seamless transition, and upon her appointment, will pivot back to my original role as a board member. She will have my full support along with that of the other board members to lead and guide the company through a period of product scale-up and strategic growth.

So, please join me in welcoming Fei as our new CEO of LiqTech International. Fei will assume leadership of a talented and cohesive executive management team appointed as part of our corporate realignment implemented in April which was intended to inspire a winning culture that will take functional accountability and drive execution discipline. The team has coalesced nicely while attacking the key imperatives facing the business.

Concurrent with the corporate realignment, we planned and implemented a major restructuring program reducing headcount and labor costs by about 25%, or roughly 30 employees, the overwhelming population of whom were classified as overhead and indirect. As noted previously, through this restructuring program, we eliminated a layer of management, centralized key functions such as sales and R&D, established focused plant management at our three production facilities, and reduced back office administration and other overhead personnel. The organization is now rightsized for current revenue levels and poised to scale in support of growth.

Through this realignment and restructuring, we have also applied a management operating system to elevate a culture of accountability, performance management, and continuous improvement. With new CEO leadership in place, a cohesive and focused management team, and a leaner, more agile organization, I think it is fair to say that human capital and corporate culture will combine to accelerate operational and commercial progress.

In keeping with our pace of organizational progress, we have also accomplished key financial initiatives in the spirit of self-help to strengthen the company and reinforce its financial condition. To align with our restructuring and headcount reduction program previously mentioned, we also undertook a broad cost reduction exercise focused on non-labor expenses. Comprised of roughly 30 initiatives spread across all corporate functions and cost categories, we are aggressively implementing this program and tracking our realization accordingly with the stated goal to achieve run rate savings of approximately \$2.5 (million) to \$3 million with full realization anticipated by the end of 2022.

On a related note, you will observe the restructuring costs that we incurred during the second quarter on the P&L on which Simon will elaborate shortly. Importantly, this cost reduction program will drastically change the breakeven revenue for the business to a run rate of approximately \$7 (million) to \$8 million per quarter measured on an adjusted EBITDA basis.

In addition to our cost reduction program, we embarked on an ambitious program to rationalize capital expenses, again, in the spirit of self-help. To this end, we suspended certain investment activities, including our planned investments in China to manufacture filters for black carbon and NOx reduction, mandated for use on marine vessels both inland and oceangoing.

Notably, we have concluded successful negotiations with all vendors, landlords, and consultants, reducing open capex commitments by over \$4 million, decreasing future operating and lease liabilities significantly, and driving full value realization above 80% by redirecting certain items of equipment that were fully or partially paid and originally destined for China to our ceramics manufacturing facility in Copenhagen to relieve existing production bottlenecks. So in short, the results of our capital rationalization program exceeded even my most optimistic expectations thanks to the full commitment and energy of the China project team.

The self-help measures of cost reduction and capital rationalization were clearly not enough to provide the business its needed staying power and runway for growth. Staring at heavy operating losses, a depleting cash balance, and an amortizing convertible note, we also moved quickly to shore up the balance sheet.

In May 2022, we raised total net proceeds of nearly \$25 million through a public offering of common stock and pre-funded warrants. Subsequently in June, we concluded a private placement of senior notes with one of our largest shareholders in an aggregate principal amount of \$6 million which included warrants to purchase shares of common stock. The notes have a term of 24 months and will not bear interest during the term. Proceeds from the notes and equity raise were used to repay all amounts outstanding under the convertible note, the payoff of which totaled \$16 million during the second quarter. Following the repayment of the convertible note, we now possess approximately \$19.7 million in cash at the end of June with \$6 million in debt.

The combination of the equity raise and debt refinancing work to shore up our balance sheet provided us with the necessary capital to execute on our strategic and operating plans going forward without the need for continuous external funding.

As I stated last quarter, we acknowledged that this capital raise was a highly diluted event executed in a difficult market environment, and therefore we did not take such a move lightly, but I know that you can now appreciate that it was necessary to generate staying power for the business and provide a runway to support our growth ambitions.

So, in summary, through self-help measures such as cost reduction and capital rationalization coupled with outside debt and equity capital, we have powerfully transformed our balance sheet and liquidity profile. Beyond organizational and financial initiatives, we have applied a laser focus to build operational excellence, the first step of which encompass project closures for new facilities planned in China and Denmark in keeping with our capital rationalization program. As mentioned previously, we have now concluded the suspension of these capital projects while shifting our focus back to our core manufacturing operations in Copenhagen for ceramics and Hobro for systems.

From a manufacturing standpoint, we are working diligently to implement our optimization plan to unlock capacity, reduce equipment downtime, increase manufacturing yields, reduce scrap, decrease average unit costs, and enhance inventory management, all of which should drive meaningful improvement in contribution margin on our path to breakeven profitability. By way of example, we have reduced scrap by nearly 90% over the last four months as we stabilized production operations, standardized raw materials, established process control, and upgraded unreliable equipment. Said differently, we are working to make our ceramics manufacturing process consistent, repeatable, and scalable to keep pace with our growth ambitions.

On the commercial front, we demonstrated notable progress in each of our stated growth areas. First, we have delivered and commissioned our first oil and gas systems of commercial scale in the Middle East for Baker Hughes. Second, we have commissioned our first acid filtration system in the US market. Next, we have received new orders for the marine scrubber market, and finally, we have received our first order for the provision of filters tied to black carbon reduction for marine applications in China. Each of these markets represents a significant opportunity for LiqTech.



Beyond these growth markets, we have stabilized other commercial aspects of the organization, including sales of DPFs and plastic components which were comparable to the same period in 2021. I will expand on each of these markets in a moment, but all told, I am pleased to observe a nice revenue step-up in Q2 during which we recognized revenue of \$5 million which was up 25% from the prior year period and nearly 40% sequentially. Of course, Simon will step through the financials with fastidious detail, but before I transition the call to him, I would like to provide a quick update with respect to our major growth markets.

Let me start with marine black carbon. I am pleased to announce that we recently received our first order for our proprietary systems designed to address the growing market for black carbon emissions tied to the marine sector in China. The order was received in collaboration with our Chinese-based marine partner with an expectation for system delivery in the fourth quarter of this year. Due to the suspension of our planned investment in China for a local manufacturing facility, we will be fulfilling this order from our facilities in Denmark demonstrating that it is indeed possible to serve the market from afar without a local presence. We remain in detailed discussions with our partners in China regarding new orders for black carbon reduction systems in the marine market, and we believe this market represents a sizeable opportunity for LiqTech.

Transitioning to the marine scrubber market, in June, we received a new order for marine scrubbers which leverages our proprietary water filtration technology. The order, covering two separate marine vessels, is expected to be delivered before the end of 2022. Subsequently in July, we have received an additional order for two more marine scrubber systems which together represent proof of life in a strategic market after prolonged delays. We have seen this market go from feast to famine with a wave of system installations ahead of the implementation of IMO 2020 followed by a freeze of activity caused by the COVID-19 pandemic and the ensuing supply chain disruptions, and now, it seems the famine is ending.

Beyond the orders that were closed and won recently, we continued to observe a notable increase in quotation activity for marine scrubber systems which we believe is reflective of a recovering market and normalizing supply chain. From a marine perspective, we are in a similar position as that expressed during our last call. Price spreads are strong and resilient indicating favorable economics for scrubber investments. Moreover, the supply chain is normalizing as the marine industry settles down after its frenzied state in the first half.

So, the good news is that the market for marine scrubbers is returning to life as ship owners and operators invest again after prolonged market dislocation. Conversely, the bad news is that we are still lacking the regulatory impetus to supercharge the market for closed-loop scrubbers which would entail an outright ban on discharge in open waters. So, yes, this feels a bit like regulatory stasis. IMO continues to study, debate, and deliberate seemingly showing an unwillingness to institute such an outright ban, even in the context of many port bans around the world.

To put it simply, without such regulatory impetus, the market for closed loop scrubbers remains a small share of total scrubbers with customers favoring open-loop systems due to the lower upfront investment. Knowing that we cannot predict the pace of regulatory change, we will continue to position our closed-loop system as a solution that is future-proof, relevant in any foreseeable regulatory environment, and predicated on a strong value proposition that balances investment with emissions in an environment with heightened sensitivity to ESG.



Based on recent events for the marine industry, ship owners, operators, and integrators are becoming increasingly focused on carbon capture for which our products and systems may have application. It is still early days here, but we will accept this market opportunity through continued dialogue with our strategic customers.

On the oil and gas front, we successfully delivered and commissioned our first system working with Baker Hughes and a local partner for a strategic oil and gas customer in the Middle East. As previously announced under the terms of the contract, the end customer will be deploying our water filtration systems for a fixed monthly rental fee. We will recognize a portion of the profits over the rental terms in the form of planned commissioning and service charges as well as revenue and profit from the upfront system sale, the latter of which was recorded in the second quarter of the current year.

As noted in the past, this project represents our first foray into the Middle East oil and gas market at commercial scale, and we are truly excited to demonstrate the unique benefits of our systems. Importantly, under the terms of the contract, the customer is deploying our water filtration systems on four sites for three different applications, and as we accumulate runtime we can validate our value proposition while positioning for other opportunities with this customer and other customers throughout the region.

As we sit here today, we are in active dialogue with this customer for other opportunities as well as other customers and potential channel partners who are showing keen interest in the technology. Meanwhile, we are broadening our collaboration for the new application of MEG recovery after reengineering the first system for increased capacity and hardened conditions. We plan to build and ship the first system this year, and there is another similar system to execute for the same offshore platform. Upon successful validation, we would expect to equip another four systems on another platform.

On the acid filtration side, we commissioned our first system for a major customer in the US. As we have discussed, the \$2.2 million system was originally shipped to the client and recognized as revenue in the fourth quarter of 2021. With the successful commissioning of this highly specialized system, we now believe it will serve as a case study to frame the value proposition, generate an important customer reference, and create additional opportunities for deployment of our unique filtration technology within this market segment both for this customer at their other sites and for new customers. We are currently in active dialogue with this customer to provide our systems on their next site in Mexico.

With respect to the multiyear contract with the European OEM that was previously announced, we have yet to conclude on price, volume, and timing commitments with this customer although we are working through the product qualification process and let me make it clear again. We will consummate this order only upon commercial terms that meet our margin expectations in the context of notable inflation. Based on secular trends such as population growth, water scarcity, social mobility, and a growing middle class, regulatory oversight, and climate change clean water demand continues to grow rapidly, and I believe that LiqTech's unique differentiated technology is ideally suited to a variety of OEM applications in this burgeoning market.



To conclude our market recap, I do not want to forget about other industrial applications. We continue to see opportunities populating our sales pipeline to filter manufacturing fluid and treat industrial wastewater across many industries, and we will announce those as and when they close or commission depending on materiality through a financial or strategic lens.

So, with that long-winded narrative highlighting our initiatives, progress, markets, and opportunities let me now provide a quick outlook for the year. Q2 revenue of \$5 million fell within the guidance that we provided in May. While admittedly at the low end of the range, results were adversely impacted by several factors including the strengthening dollar on which Simon will elaborate further.

While the company remains increasingly optimistic about its prospects for 2022 and beyond, we must also cautiously acknowledge the reality of the current business environment where geopolitical tensions, supply chain disruption, market volatility, and economic uncertainty create delays in clients decision making and extended lead times for critical raw materials. Considering such elevated uncertainty, along with the currency headwinds arising from the appreciation of US dollar against the euro, the company believes it is appropriate to revise the full year guidance for 2022 to a range of \$20 (million) to \$25 million with the third quarter anticipated to closely approximate the second quarter in revenue.

Despite the downward revision, the company remains confident with respect to its long term growth trajectory and commercial success. With that said, let me now turn the call over to Simon who will add some context on financial performance for the second quarter and provide some additional details on the balance sheet and operating initiatives that I highlighted a moment ago. Simon, please proceed.

Simon Stadil

Thank you, Alex. Let me add some color on the financial highlights for the second quarter and overall outlook. Revenue for the second quarter was \$5 million compared to \$4 million in the second quarter of last year, this representing an increase of 25%. The revenue reflects an important step in the right direction with increased contribution from our systems business including deliveries within both oil and gas and our water and pool segment but also stable volumes within our legacy DPF and plastic businesses. This was partly offset by the continued headwinds from the US dollar appreciation against the euro and Danish krone negatively impacting our revenues as approximately 70% of our revenue in the second quarter was denominated in foreign currency.

Compared to Q1 with current levels at 10% above Q1, the US dollar will continue to impact our revenue negatively going into Q3. Within our ceramics business, that comprises DPFs and direct membrane sales with revenue of approximately \$1.8 billion comparable to the same period of loss last year yet down 4% sequentially due to FX and mix with the latter reflecting a lower share of direct sales and delivery of high volume EPS and lower average sale prices.

In terms of outlook for the third quarter, I echo the remarks made by Alex indicating a third quarter that should be comparable to Q2 with a more diversified pipeline and continued robust contribution from our systems business underpinning the performance. This again will be offset by the continued FX headwinds and risk of slippage due to longer lead times and a back-end loaded pipeline with client demand negatively impacted by the continued geopolitical unrest and economic uncertainty.

To underpin growth and improve forward-looking transparency, we are working diligently to strengthen our pipeline and secure new orders as illustrated in the recent announcement of our new marine scrubber system, as well as the black carbon order for China. Furthermore, we are dedicated to combine top line growth with a rightsized cost structure aiming for profitability already in the fourth quarter of this year.

On that note, let me now comment on the development in our operating expenses. The gross margin in the second quarter of 3% was adversely impacted by the elevated input costs impacting our business from rising electricity, gas, and raw material prices but also productivity losses at our ceramics facility in Ballerup. This, combined with the lower share of our direct membrane sales and the delivery of a large-scale system in the Middle East at margins below our target contribution margin of 50%.

The pervading profitability levels are clearly not satisfactory nor sustainable, hence the decisive initiatives launched in Q2 to optimize our manufacturing facilities, reduce costs, and increase pricing discipline. We are starting to reap the benefits from these initiatives as the order backlog will now be comprised of new orders with high contribution margin coupled with a reduction in our fixed cost and opex.

On that note, total operating expenses for the quarter were \$4.7 million or \$3 million when adjusting for the \$1.8 million of restructuring costs incurred during the quarter. In other words, the level was comparable to the same quarter last year yet indeed a reduction of 17% or \$0.6 million compared to the first quarter of this year which again shows the benefits of the cost reduction initiatives that we launched in Q2.

The decrease was mainly related to reduced headcount as well as lower spend on IT, marketing, and product management in China partly offset by a provision for bad debt related to a European ceramics client that went into receivership. As previously mentioned, we are committed to reducing our opex and fixed costs further as we progress into the second half embracing the clear objective to achieve a breakeven of \$7 (million) to \$8 million of revenue measured on an adjusted EBITDA basis. To be clear that, the adjusted EBITDA reflects the EBIT for the period adjusted for non-cash items related to equity-based compensation and regular G&A.

Moving to the next item, net other expenses in the second quarter was \$1.9 million compared to \$0.6 million in the same period last year. The increase is explained by the decision to fully repay the remaining balance of the convertible note generating \$1.9 million of refinancing costs. Embedded in the income is also the positive contribution from the gain on our lease terminations in China and the government COVID-19 grant in Denmark. This was offset by losses on currency transactions linked to assets denominated in foreign currency.

Moving to net loss. In summary, the loss for the period was \$6.5 million or \$2.8 million when adjusting for the restructuring and refinancing costs incurred during the quarter. This represents an improvement compared to a net loss of \$3 million and \$3.7 million in Q2 last year and Q1 of this year.

Moving to our cash flow and balance sheet, we ended the quarter with \$19.7 million in cash showing an increase of \$8.5 million compared to Q1 with the main drivers being the net proceeds from the capital raise of \$24.5 million and a new \$6 million senior note issued in June. The proceeds were used to fund cash used and operating activities of \$6.2 million and the full repayment of the convertible note which amounted to \$16 million during the quarter.

Please note that the net cash used in operating activities contains pre-payments on our legacy capex commitments related to plant equipment deliveries scheduled for later this year as well as the quarterly restructuring costs.

Now let's take a step back and conclude on what was a busy quarter marked by substantial progress while attacking the core challenges facing our business. We have stabilized our balance sheet and capital structure following the important contribution from our long-term shareholders and all those who participated in public offering, which together with the repayment of the convertible note, solidifies our business. We have taken important steps to drastically reduce our operating expense, and we will continue to work towards reducing the underlying run rate to help safeguard our business. In terms of capex, we expect modest capex requirements going into 2023 as we will benefit from the delivery of new machinery in Denmark with ample capacity and room for future growth.

To conclude, we did indeed execute on our plans in the second quarter, and we are now facing the next round of priorities centered around top line growth and profitability enhancements. Finally, I would like to mention that we will be participating in the Lake Street Capital Markets Conference on September 14th in New York as well as the Lytham Partners Conference on September 28th and 29th.

Thanks for your continued support and interest in LiqTech, and over to you, Alex.

Alex Buehler

So, before I turn the call over to the operator, let me just express my excitement at the way the team has stepped up and worked together over the past five months during this leadership transition. We have accomplished much over this transitional period spanning organizational, financial, operational, and commercial imperatives, and I firmly believe that LiqTech is a great business with differentiated products, core competencies, large end markets, and compelling value propositions.

At this point, I would like to turn the call over to the operator to address any questions from the audience operator.

QUESTION AND ANSWER SESSION

Operator

We will now begin the question and answer session. To ask a question, you may press star then one on your telephone keypad. If you're using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press star then two. At this time, we will pause momentarily to assemble our roster.

Our first question comes from Rob Brown with Lake Street Capital Markets. Please go ahead.

Rob Brown

Good morning. Thanks for all the detailed info on your presentation. First, on the black carbon order, good to see progress there. Maybe get some further color, was that for one ship, and what's the pipeline of the black carbon market at this point in China?

Alex Buehler

It was actually for two ships, but at any rate our first system for those ships are with a very large end customer in China. As you would expect that end customer has many more needs as it's facing black carbon reduction in that market. So, we are seeing kind of a filling of our sales pipeline with opportunities pertaining to the black carbon reduction market centered in China.

I think it's good news to reiterate and reinforce kind of my earlier comment. We suspended our play in capital investment in China which was meant to establish a local presence to appeal to that among other customers. Yet, despite that, we are still serving that market from our facilities in Denmark, so taking advantage of our existing manufacturing footprint and fixed costs to penetrate that new and growing market in China.

Rob Brown

Okay, thank you, and then just in terms of the outlook, it seems like it's really more around FX and some of the supply chain issues, but not so much demand, but are you seeing the demand activity happening? Are you seeing any changes there, or how does the pipeline look at this point into the back half of the year?

Alex Buehler

Look, we're increasingly optimistic and excited about the shape, and let's call it the velocity of our pipeline. It's evolving nicely, it's growing. The good news is we are closing those things we set our mind to and set our sights on. If there is bad news, it's just taking a little bit longer than we expected, especially kind of through the holiday period here in Europe. We were expecting to close certain things before the summer holiday set in which we did not do. In many cases, we got a verbal but not written commitment which slows things down by one, two, or three months.

So yes, it's taking a little bit longer, but we are closing orders and opportunities around our stated growth areas and strategic end markets for the business. So, I think it's fair to say that Simon and I and the rest of the team are increasingly optimistic and excited about our sales pipeline, but yes unfortunately, it is just taking a little bit longer in the context of some of the headwinds we've already mentioned, Rob.

Rob Brown

Last question is on gross margin. You said some nice progress on yield improvements and in some of the factory work. How do you sort of see your gross margins at this point? Is it really now dependent on getting scale and overhead utilization in the facilities with volume, or do you have more to do in terms of yield in and other process work?

Alex Buehler

No, look, on our march for manufacturing, optimization, and efficiency, we're not there yet. Frankly, speaking transparently, there's still a lot of work to do, but when you look at the primary revenue, drivers of volume price and mix and then the cost drivers are throughput and efficiency, we are diligently at work on all of those levers.

We mentioned pricing in our prepared remarks. I mean, every new deal, we are ratcheting up prices to exceed kind of the inflationary cost pressure we're seeing in raw materials, and I also want to say that this company benefits from such a powerful mix. That is to say if we can sell more tubular membranes and systems and less diesel particulate filters, or DPF, the mix shift is simply mind blowing.

A lot of times we have conversations with investors about how we get our contribution margin up to cover our fixed costs and achieve breakeven in Q4, well it's not only volume, it's also mix. So, we are planning to shift that mix away or at least to complement our DPF sales with membranes and systems, and that has a significant uplift on our contribution and gross margins.

Rob Brown

Okay, thank you. I'll turn it over.

Alex Buehler

Thanks, Rob.

Operator

If you would like to ask a question, please press star then one.

Our next question comes from Michael Potter with Monarch Capital Group, please go ahead.

Michael Potter

Hey, guys, thanks for all the color on the call. Just was wondering if you can give us a little bit more information, a little bit more detail around the opportunity with the acid filtration, why it took so long to commission the system, and now that it is commissioned, how is it being used in the market opportunity for the system?

Alex Buehler

Yes, so I guess it will you say it took so long, obviously between shipments which was Q4 of last year, and now. Obviously, we started working on commissioning just for a few months this year which to me it was not an obscenely long commissioning schedule or timeline. So, I was pretty happy personally with the rate of commission.

What typically happens though is you shake out the product, and there are system issues outside of our core technology and competencies of membranes. So that is say, a pressure transmitter or a gauge or a pump or some ancillary devices. So, that's the shaking out process that has occurred through the period.

So, they are using it—a bit more color is for purification of phosphoric acid at a facility that produces phosphoric acid for sale across multiple end markets. Phosphoric acid is used in a variety of industries, including food and beverage and pharmaceuticals among others.



If successful implementation of this device will and should ultimately allow them to significantly cut their opex because it replaces other production steps that are very expensive, and ultimately, hopefully also increases their capacity and throughput of the plant. So, obviously, we are there on site. In fact, yesterday and today, we are working with them to optimize, to document our value proposition, and as I mentioned in the prepared remarks, also looking at a pilot on the next site, which is in Mexico.

Michael Potter

Thanks, guys.

Alex Buehler

Thank you.

Operator

Again, if you have a question, please press star then one.

CONCLUSION**Operator**

This concludes the question and answer session. I would like to turn the conference back over to Alex Buehler for closing remarks.

Alex Buehler

Thank you. I want to thank you all for your participation in today's call along with your continued interest in and support of the company. I hope that you share my belief that we have accomplished a lot over the last several months. We have concluded a CEO transition, stabilized the organization, shored up the balance sheet, reduced headcount and costs, rationalized our investment plans, accelerated sales to drive margin to accretive growth, and solidified operations.

To reassert and reinforce my earlier perspective, LiqTech is a sound business that possesses core competencies. We are facing attractive end markets with regulatory tailwinds and ESG dimensions. We have differentiated technologies that confirm a position of product leadership, and we have compelling value propositions to connect products and systems to end markets.

It was my distinct privilege to lead this organization during the transitional period as interim CEO, and I sincerely appreciate the support and loyalty extended by our shareholders and employees. Please know that I am excited to turn over the reins to our new president and CEO, Fei Chen, but also saddened to step away from the organization as an operating executive, but please know that you are in great hands with Fei, and I know that she will lead this fantastic organization through the next chapters of its growth story. Thank you all for your support, and have a great day.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.